



## Corporate Presentation

Hoteles City Express

October 2017



# Key Investment Considerations

1

**Fully integrated business model** with exposure to the complete hospitality value chain characterized by a product with the highest value-price ratio.

2

**Systematic and streamlined development execution** from the most experienced team in LatAm that secures entry cap-rates and maximizes returns.

3

**Largest hotel chain in its segment in Mexico with geographically diversified asset base** geared towards higher than average GDP growth and benefited by fragmented, substandardize and stagnant existing inventory.

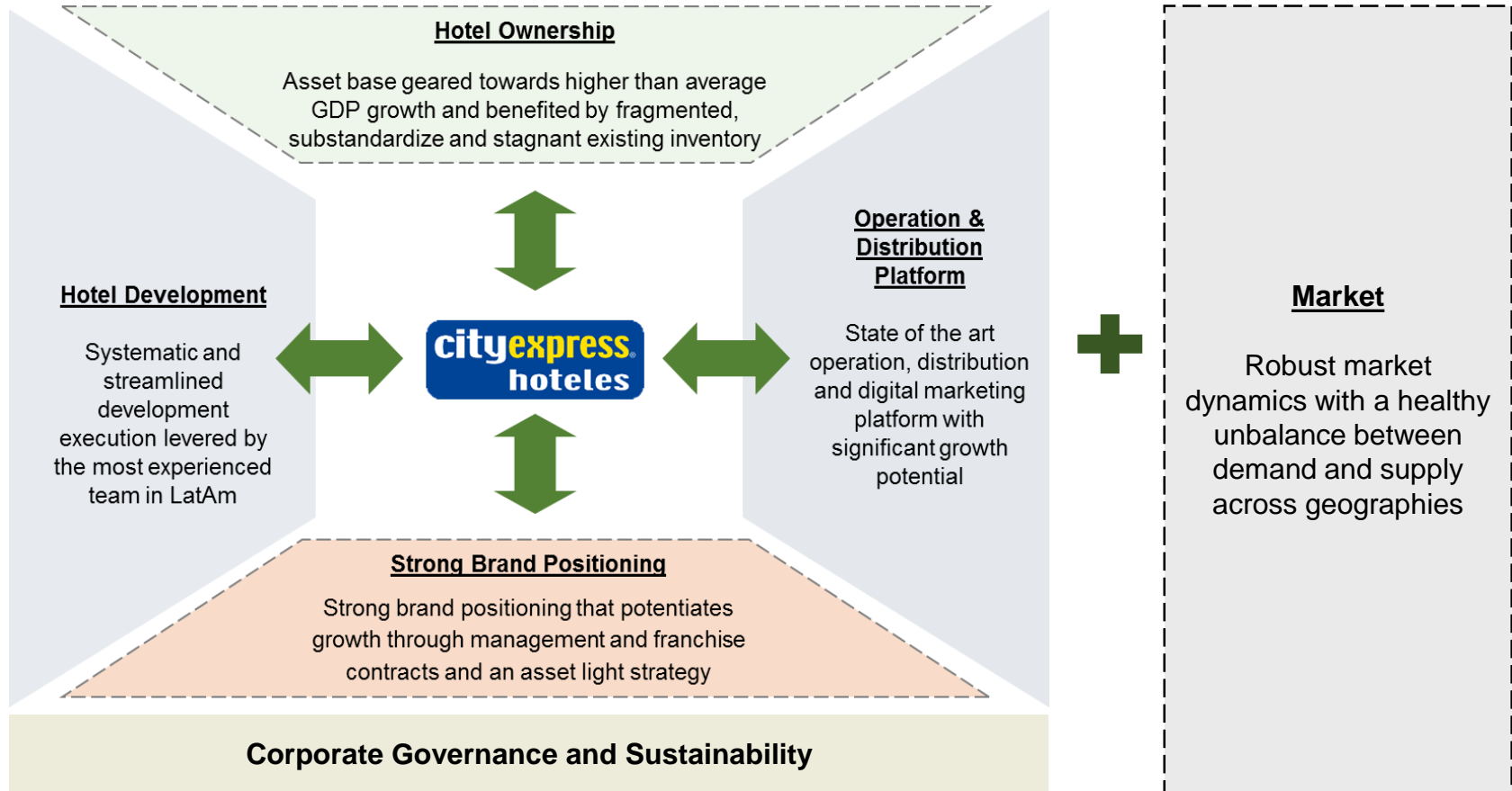
4

**State-of-the-art operation, distribution and digital marketing platform** at the forefront of industry trends levered by a “real-time operation” organizational culture.

5

**Strong brand positioning that potentiates growth through management and franchise contracts** and an asset light strategy.

# Hoteles City Express Business Model



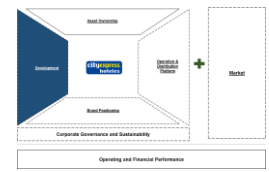
**Strong Operating and Financial Performance**



A modern hotel room featuring a large window with a view of a city. The room includes a desk with a chair, a bed with white linens and a red runner, and a hanging rack with wooden hangers. The room is well-lit and has a clean, contemporary design.

cityexpress  
hoteles

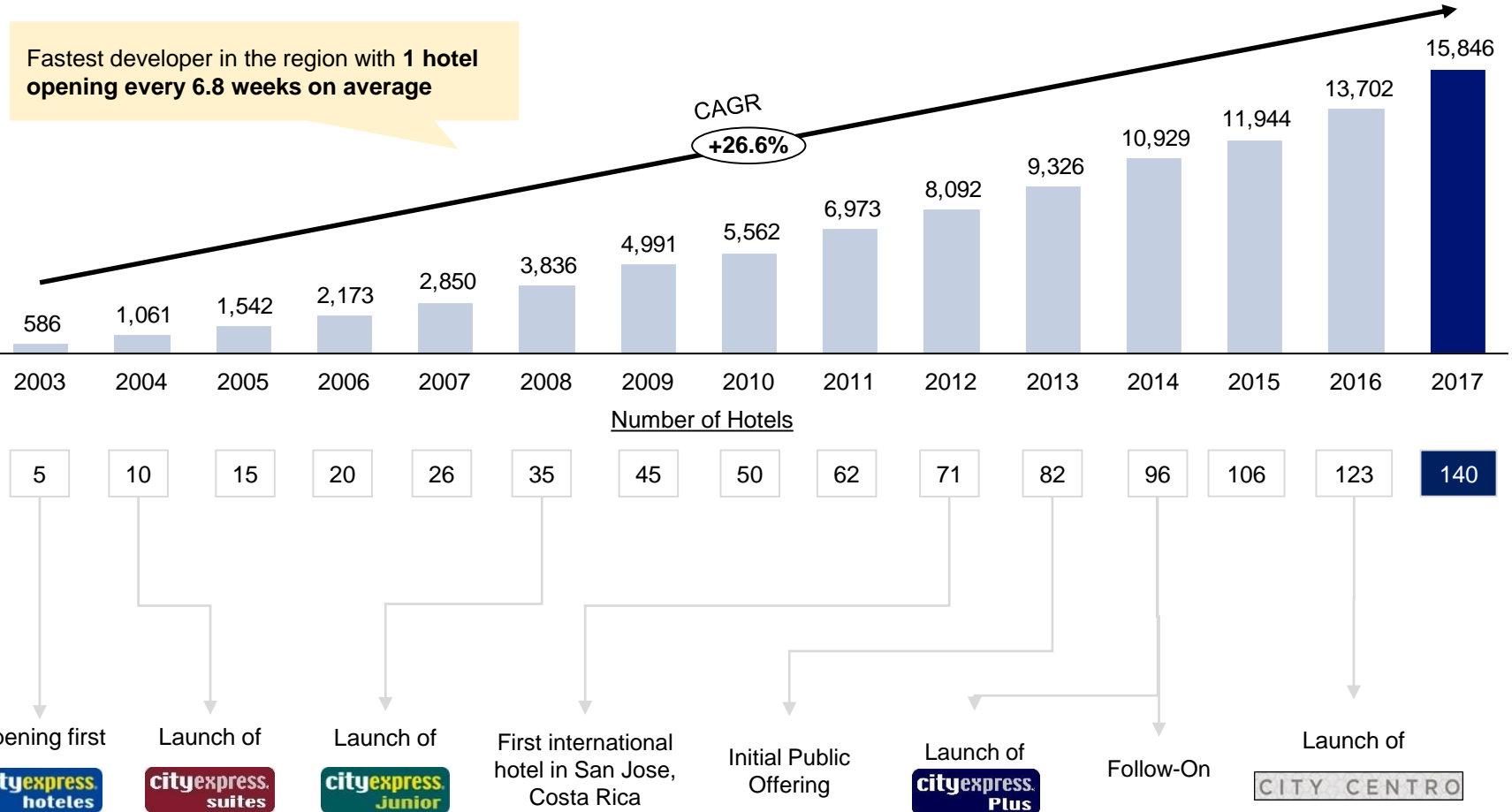
Hotel Development



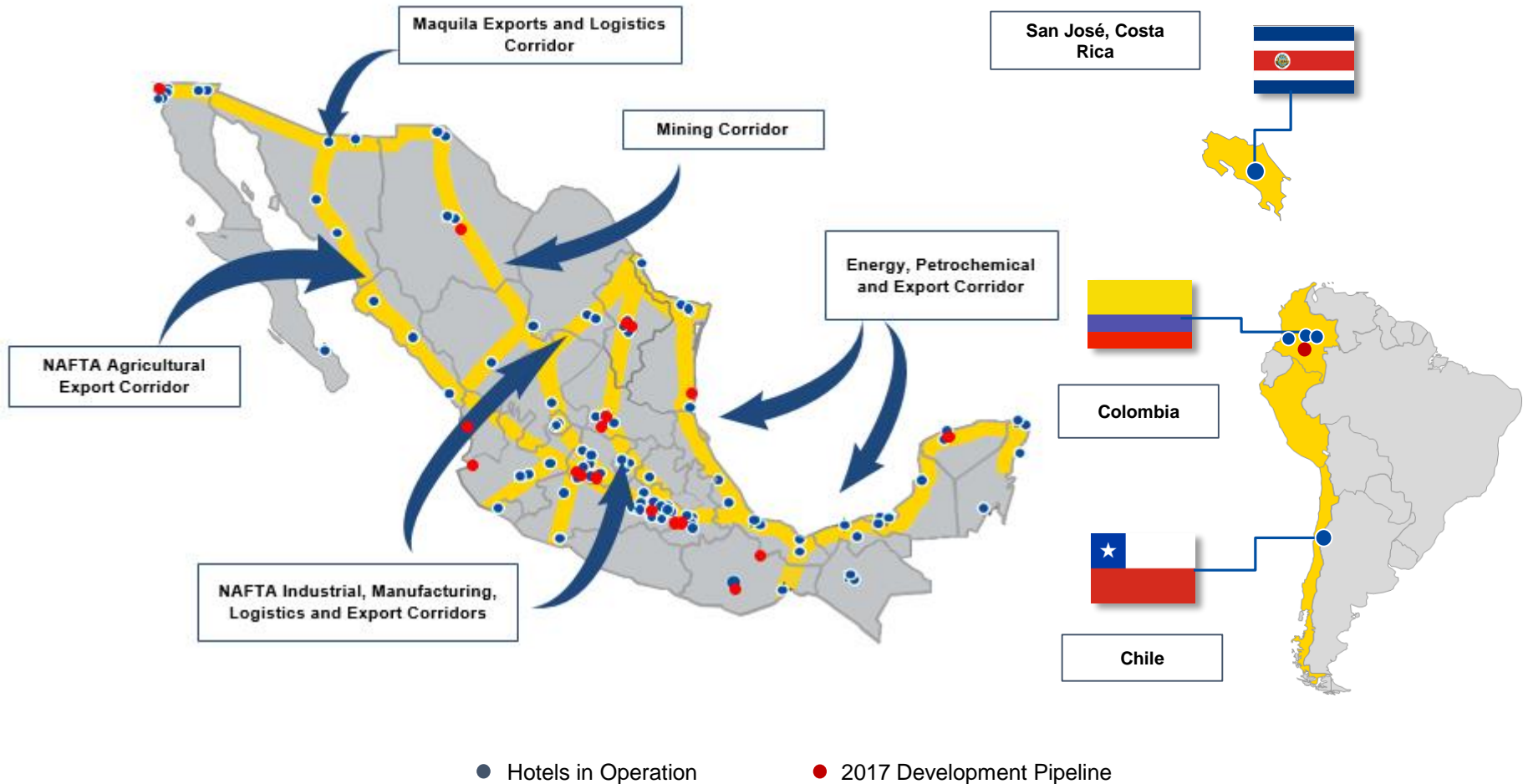
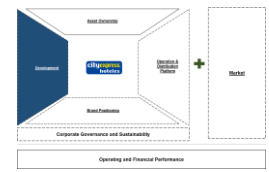
# Fastest Growing Hotel Chain in LatAm

## Historical Chain Growth

### Installed Rooms



# Proven Development Execution Across Geographies and Countries

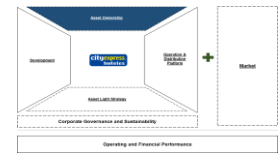






# Hotel Ownership

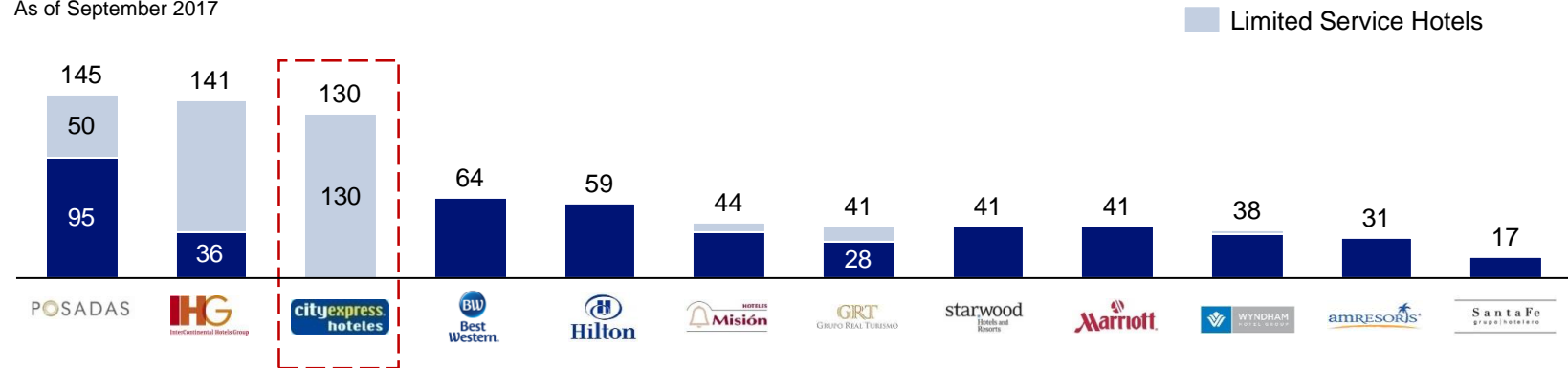




# Hotel Chain with Largest Inventory in Mexico

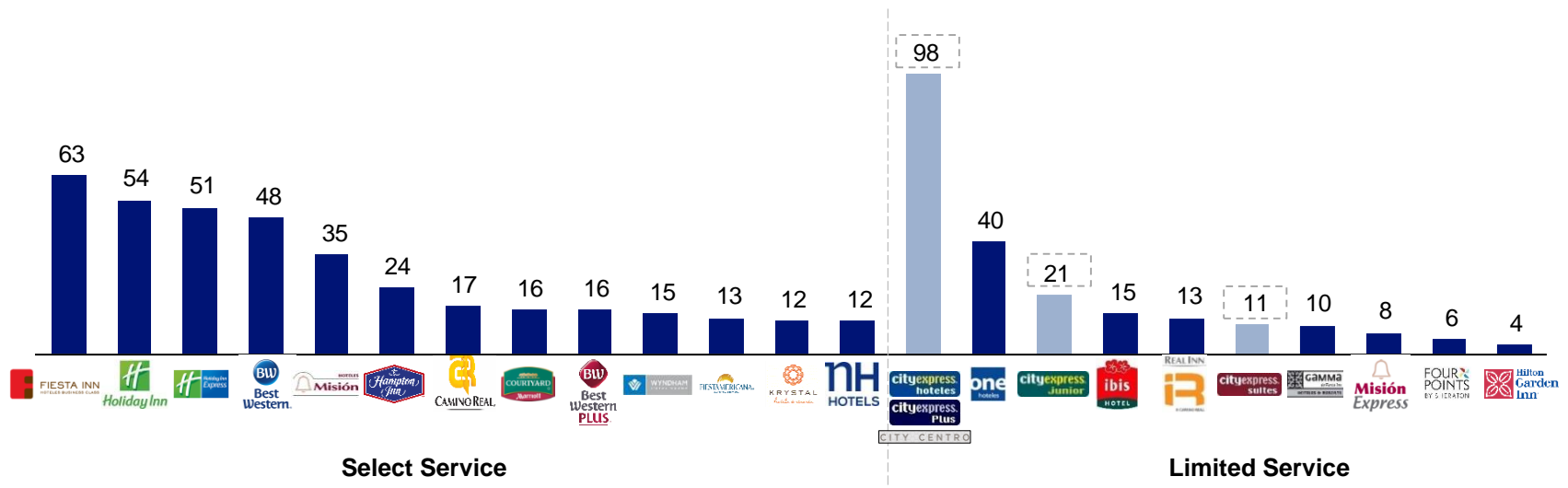
## Number of Hotels by Chain in Mexico

As of September 2017



## Number of Hotels by Brand in Mexico

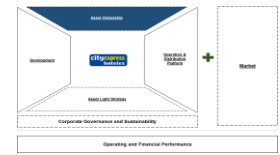
As of September 2017



Source: Information prepared by the Company based on publicly available information including prospectuses, quarterly reports, websites and press releases

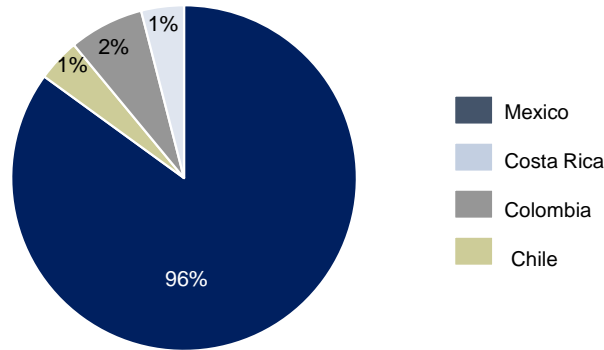


# Diversified Asset Portfolio with High Appreciation Potential



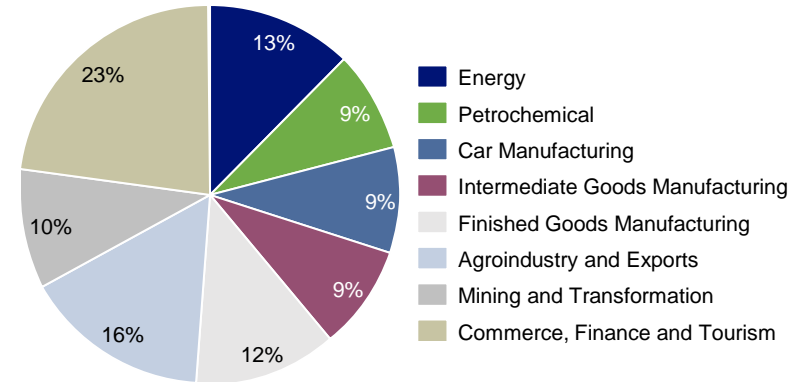
## Geographic Coverage by Country

As of September 2017



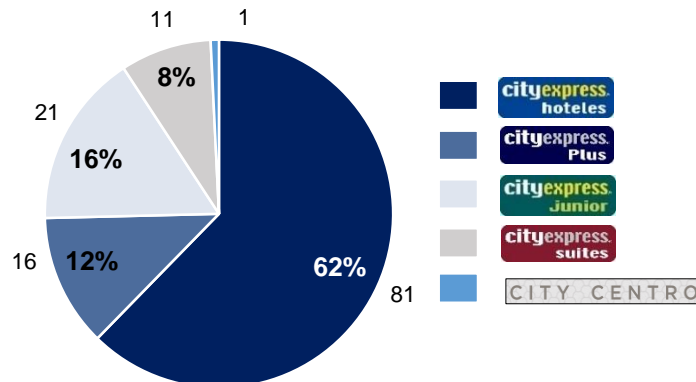
## Presence in Mexico by Economic Activity

As of September 2017, % of Total Portfolio based on Number of Hotels



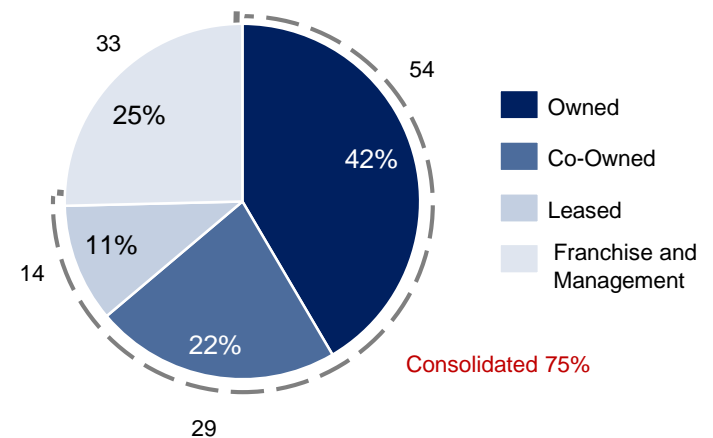
## Hotel Portfolio by Brand

As of September 2017, # of Hotels and % of Total Portfolio



## Hotel Portfolio by Ownership

As of September 2017, # of Hotels and % of total Portfolio

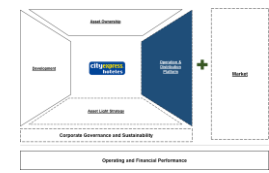




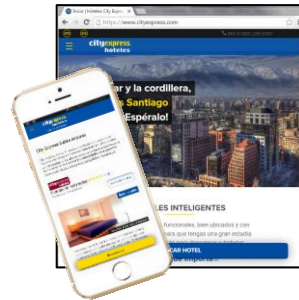
# Operation, Distribution and Digital Marketing Platform



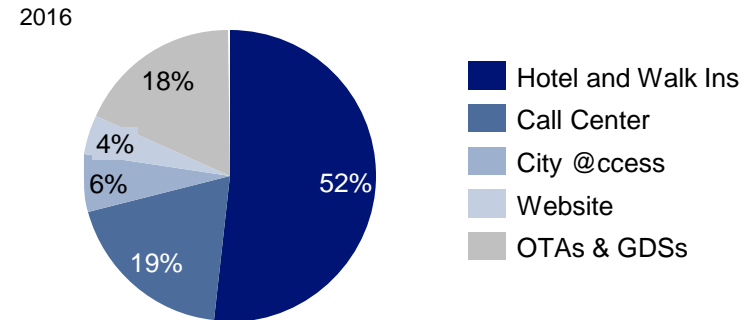
# Innovative and Disruptive Room Operation and Distribution Platform



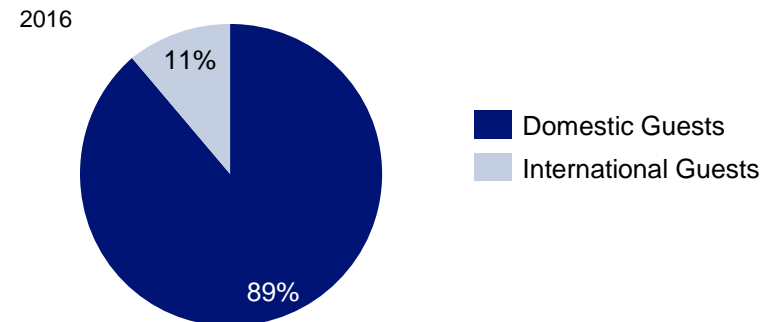
- Innovative technological platform receiving **more than 80% of reservations through own channels.**
- Optimized **Yield Management System** executed in real time focused on maximizing RevPAR.
- *City Premios* – **Loyalty program** with over **450,000 active members** accountable for **20%** of total occupied room nights.
- **More than 8,000 corporate agreements** that account for approximately **40%** of total occupied room nights.
- Solid **commercial agreements and partnerships** that turn into sales.



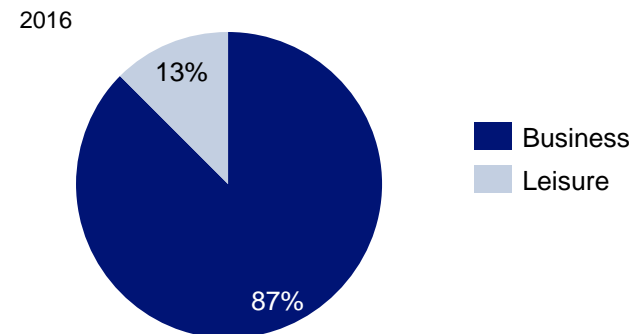
## Room Nights Sold by Channel



## Room Nights Sold by Guest Type

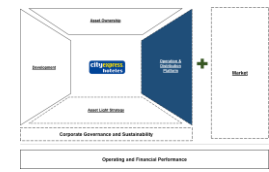


## Room Nights Sold by Travel Purpose





# Organizational Culture Aligned with Guest Cycle and Digital Experience

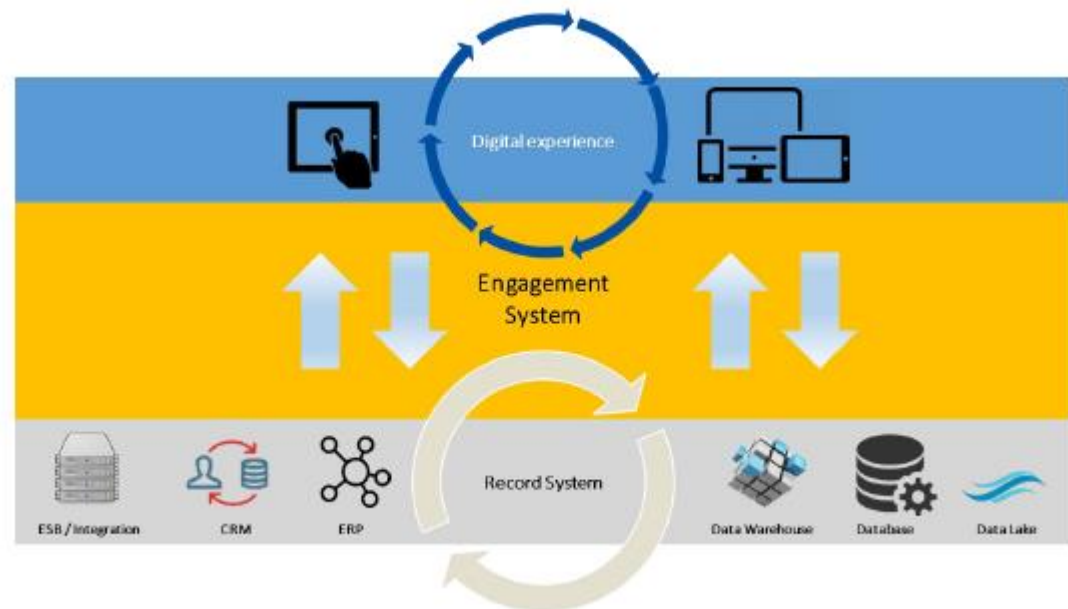


- **Organizational culture** defined by **empowering** our personnel, **being close** to our guests and exploiting our **technology**
- **Sales processes** geared towards the **guest cycle**
- Decision making process levered by **big data analytics streaming** from an **integrated engagement system** that combines data mining and customer digital experience
- **Powerful technological tools** through a **digital platform** that allows an “**online operation**”
- **Intensive data-mining** useful for optimal and instantaneous decision-making

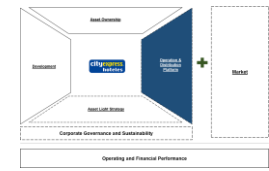
## Guest Cycle



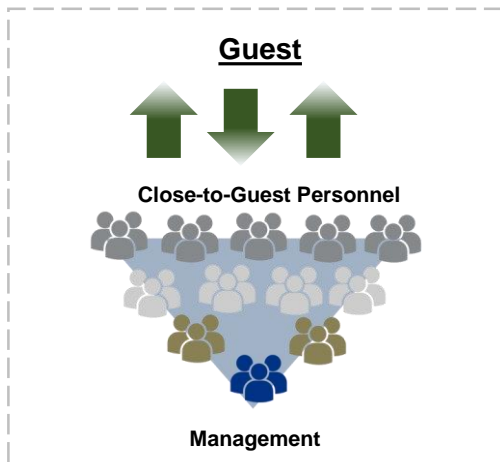
## Link Between Digital Experience and Usage of Collected Data



# A Matrix Organization That Supports and Enhances Operations On All Fronts



- **Bulletproof operation system** due to **matrix structures** defined by business processes
- **Personnel empowerment** that allows a **quick, efficient and guest-oriented decisión making**
- **Closeness to the guest** as an “**inverted pyramid**”
- **Channel sales optimization** maximizing rates and encouraging **profitable commercial drive**



## Matrix Organization by Business Process

Segment / Channel		Hotel	Call Center	Website	City Access	OTAs & GDS
Segment Leaders	Groups	○	○	○	○	○
	Wholesale	○	○	○	○	○
	Business	○	○	○	○	○
	Leisure	○	○	○	○	○
	Others	○	○	○	○	○
<b>Branch Directors</b>						
		Operations	Marketing	IT	Digital	
<b>Executive Management</b>						

cityexpress Plus

cityexpress  
hoteles

Strong Brand Positioning



# One Brand and Five Successful Products to Serve our Market Segment



	<b>cityexpress hoteles</b>	<b>cityexpress. Plus</b>	<b>cityexpress Junior</b>	<b>cityexpress. suites</b>	<b>CITY CENTRO</b>
Description	<ul style="list-style-type: none"> <li>Flagship Brand</li> <li>Essential amenities</li> <li>Economy segment</li> </ul>	<ul style="list-style-type: none"> <li>City Express product located in Premium locations</li> </ul>	<ul style="list-style-type: none"> <li>Budget segment brand</li> <li>Same quality within smaller rooms</li> </ul>	<ul style="list-style-type: none"> <li>Extended stay brand</li> <li>Apartment-style layout</li> </ul>	<ul style="list-style-type: none"> <li>City Express product within city downtowns with Premium decor</li> </ul>
Average Room Size	23 m <sup>2</sup> (248 ft <sup>2</sup> )	23 m <sup>2</sup> (248 ft <sup>2</sup> )	17 m <sup>2</sup> (183 ft <sup>2</sup> )	30 m <sup>2</sup> (323 ft <sup>2</sup> )	23 m <sup>2</sup> (248 ft <sup>2</sup> )
Average Daily Rate (ADR)	MXN \$600 – \$1,200	MXN \$1,000 – \$1,500	MXN \$500 – \$750	MXN \$750 – \$1,700	MXN \$ 1,800 – \$3,000
Rooms per Hotel	100 – 150	70 – 150	105 – 134	26 – 120	35 – 80
# of Hotels <sup>(1)</sup>	81	16	21	11	1
# of Rooms <sup>(1)</sup>	9,422	2,143	2,339	658	44

## Market Segments



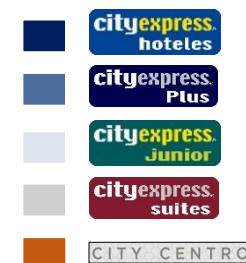
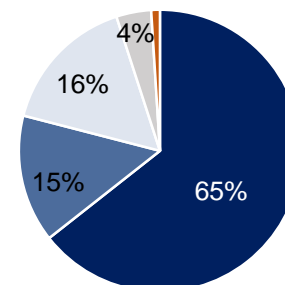
## Target ADR (MXN)

> \$1,700

\$800 - \$1,700

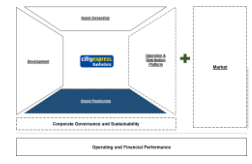
\$500 - \$800

## Room Distribution by Brand

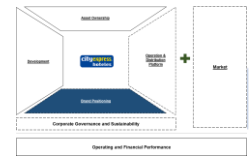


(1) As of September 2017

# Products Focused on Maximizing the Price – Value Ratio for our Guests

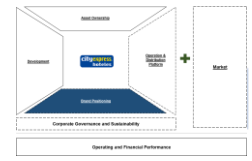


# Best-in-class Design Translated in Efficient and Comfortable Spaces





# Products Adapted to Guest Lodging Needs and Budgets



**cityexpress.**  
suites

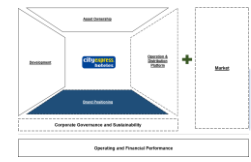


**cityexpress.**  
junior

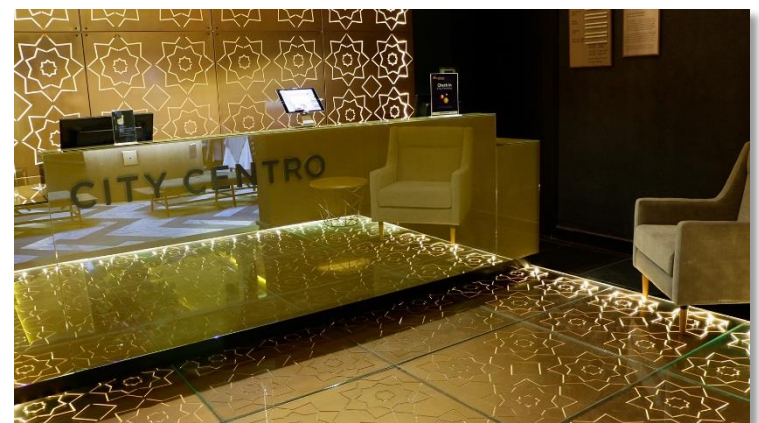




# Presence in Premium Locations Hard to Replicate



## CITY CENTRO







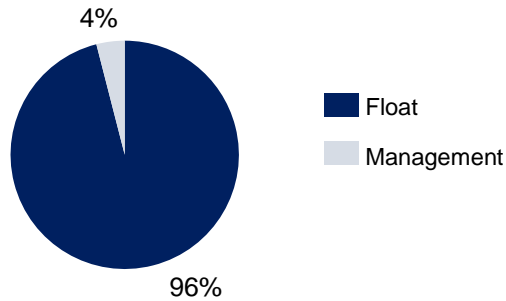
# Corporate Governance and Sustainability



# Robust Corporate Governance Practices and Commitment to Sustainability



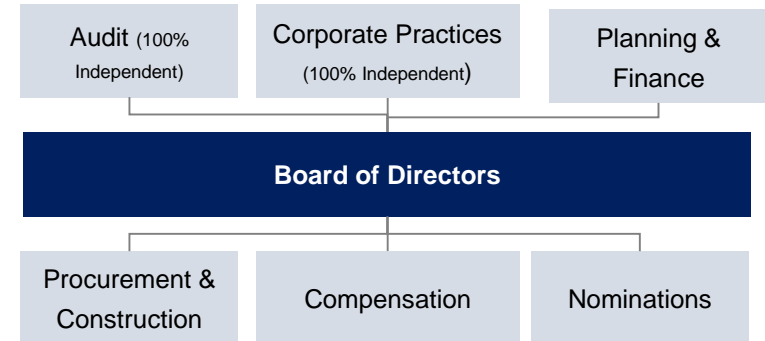
## Broadly Diversified Investors Base



- Mainly independent Board of Directors – 12 out of 13 members are independent

## Committed and Capable Board of Directors

### Board Committees



- Practices aligned to protect minority interests and zero corruption tolerance.
- Corporate Governance Manuals and Policies effectively implemented: <https://goo.gl/vFvNOV>

## Sustainability Strategy that Generates Results

- Sustainability policy and committee** effectively implemented.
- Top environmental practices** and international certifications for hotels.
- Catalyst of positive social, economic and environmental impacts** in all our locations.
- Deeply committed with UN's **2030 Goals for Sustainable Development**.

### Portfolio of Certifications



### Strategic Pillars and Initiatives

Economic	Entrepreneurship program, committed to growing employment opportunities
Environmental	Resource optimization and minimization of Carbon Footprint initiatives
Social	Labor Inclusion and welfare programs for employees



Download our 2016 Sustainability Report

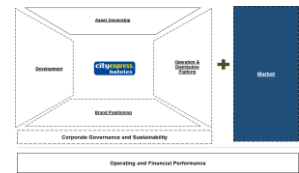
<http://cityexpress.com/sustainability>

A modern hotel room with a large window, a desk, a chair, and a bed. The room is bright and clean, with a red accent on the bed and desk. The window looks out onto a balcony with plants. The text "cityexpress hoteles" is overlaid on the desk area.

**cityexpress**  
hoteles

## Industry and Market Dynamics

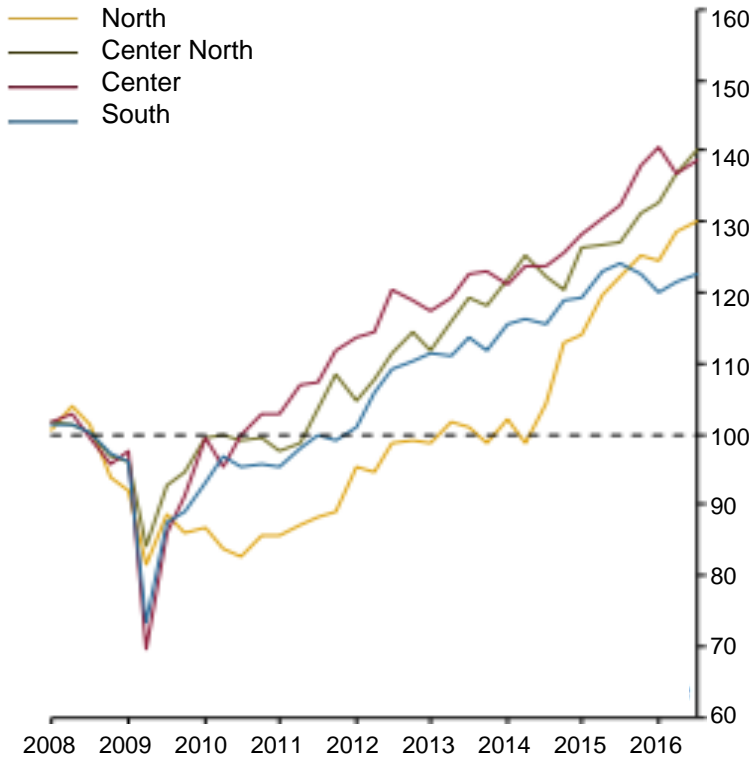
# Tourism Sector in Expansion in Mexico



## Positive Trends on Tourist Arrivals

### Passenger Arrivals to Airports Index

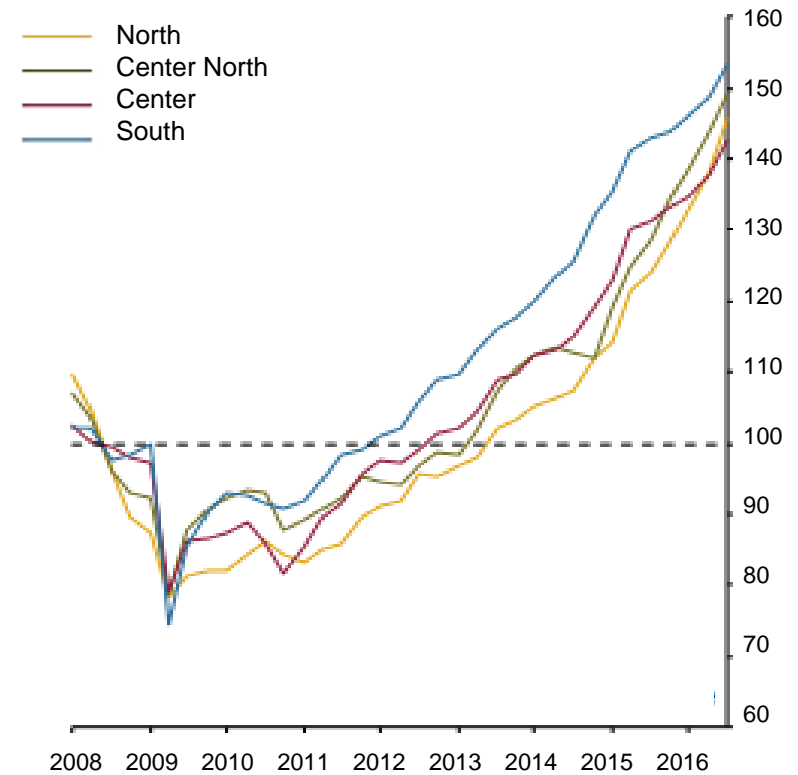
Base 2008 (2008 = 100)



## Adequate Absorption of Installed Capacity that Translates into Increasing Occupancy

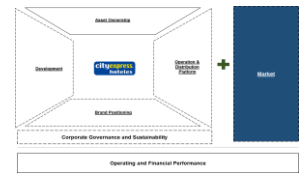
### Hotel Occupancy Index

Base 2008 (2008 = 100)



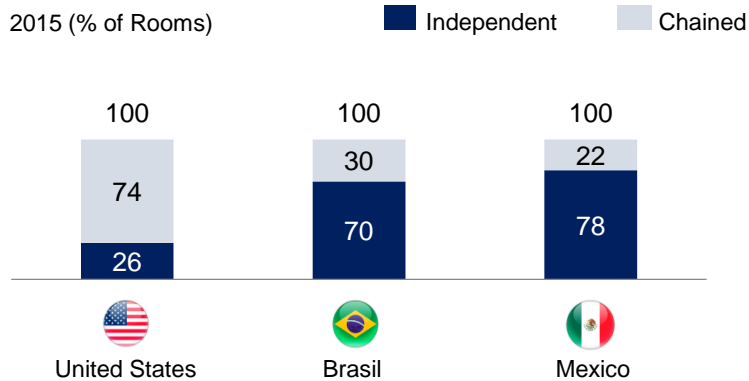


# Fragmented Industry that Presents Consolidation Opportunities



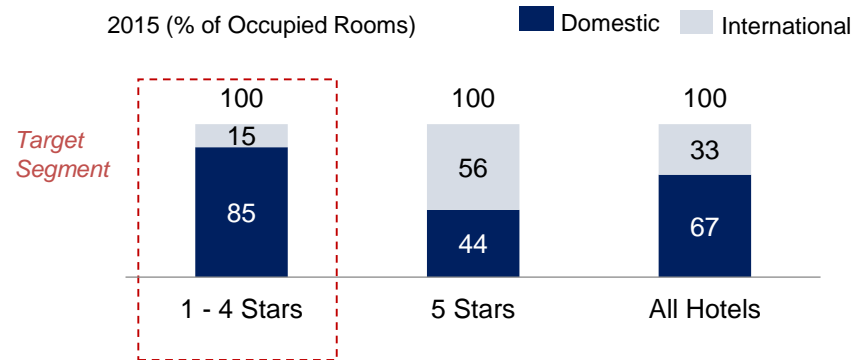
## Hotel Supply – Fragmented and Dominated by Independent, Non-Standardized Hotels

### Breakdown of Independent and Chained Hotels

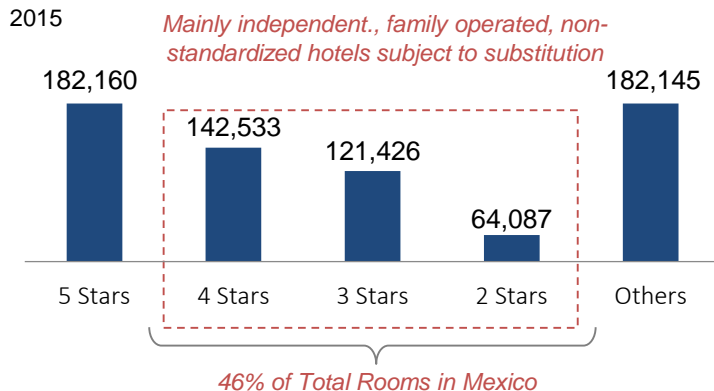


## Hotel Demand – Driven by our Target Customers

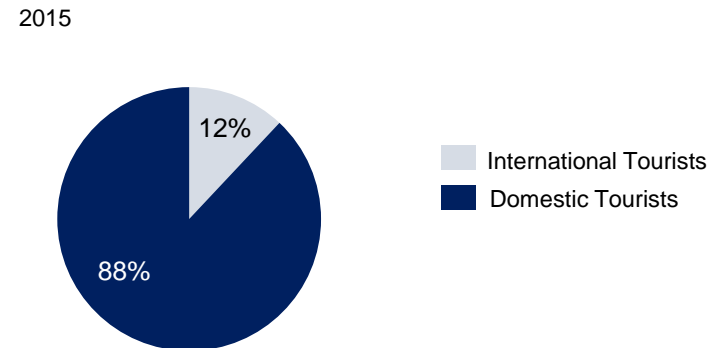
### Occupied Room Nights by Guests' Nationality



### Hotel Rooms in Mexico by Number of Stars



### Tourism Spending in Mexico (Tourism GDP)



Source: INEGI, Ministry of Tourism, Ministry of Communications and Transportation, JLL, PwC, Euromonitor.





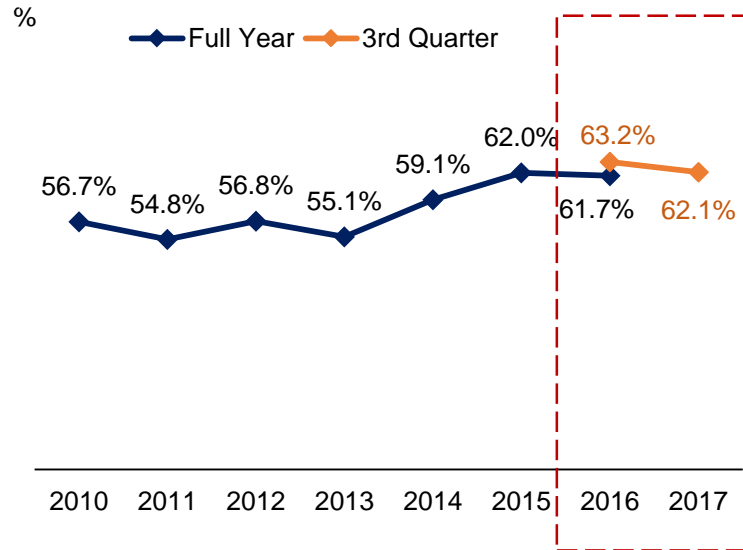
# Financial and Operating Performance



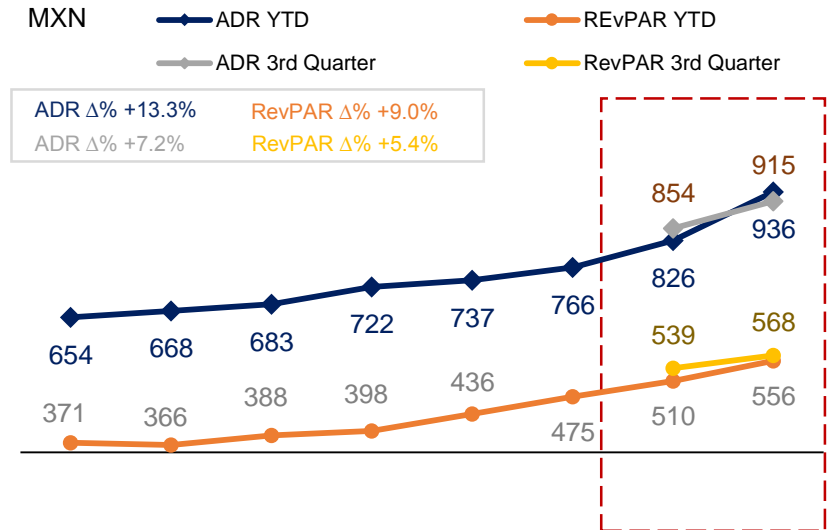
# Sustained Growth in Operating and Financial Metrics



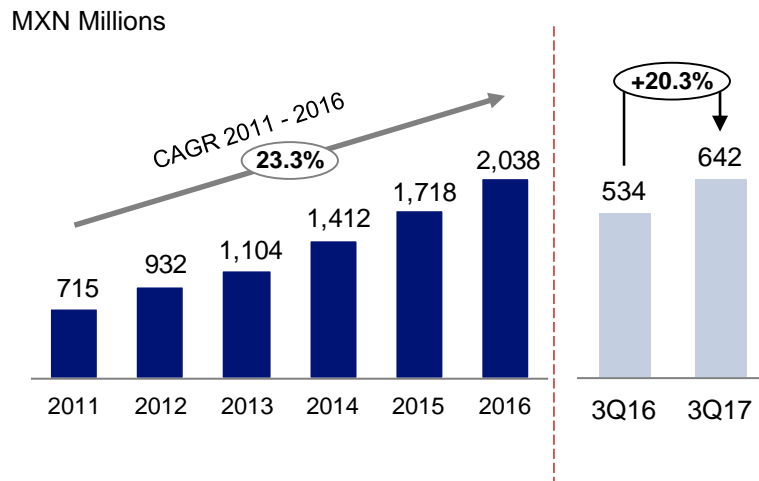
## Occupancy



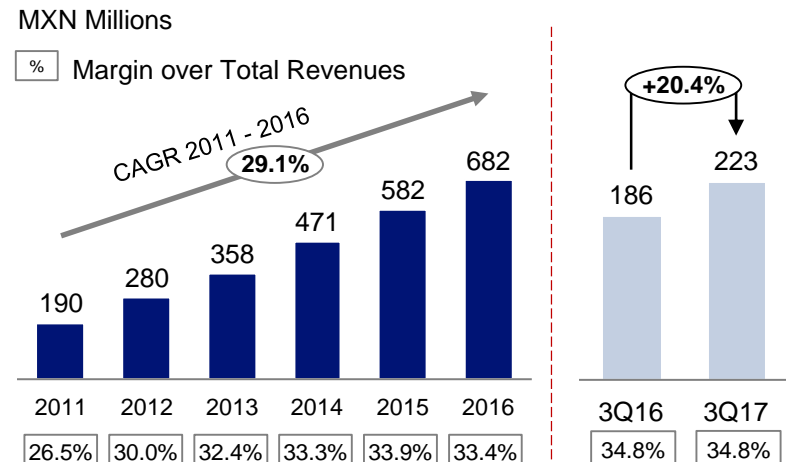
## Average Daily Rate (ADR) and Effective Daily Rate (RevPAR)



## Total Revenues

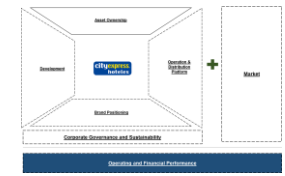


## Adjusted EBITDA and EBITDA Margin



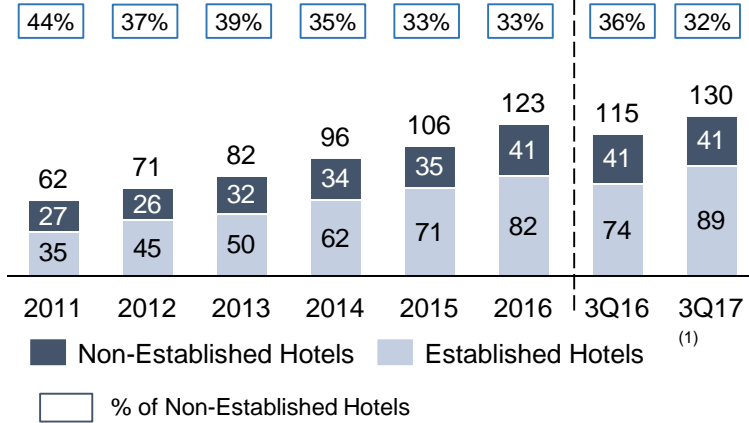


# Significant Embedded Growth in Recently Built Inventory



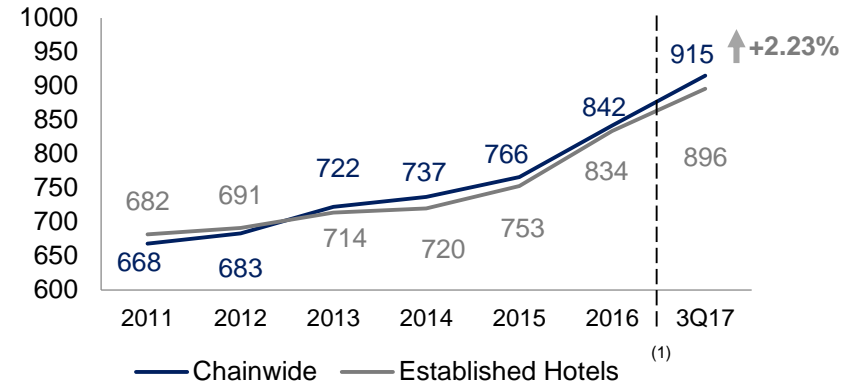
## Number of Hotels in Operation

# of Hotels in Operation at the End of Each Period

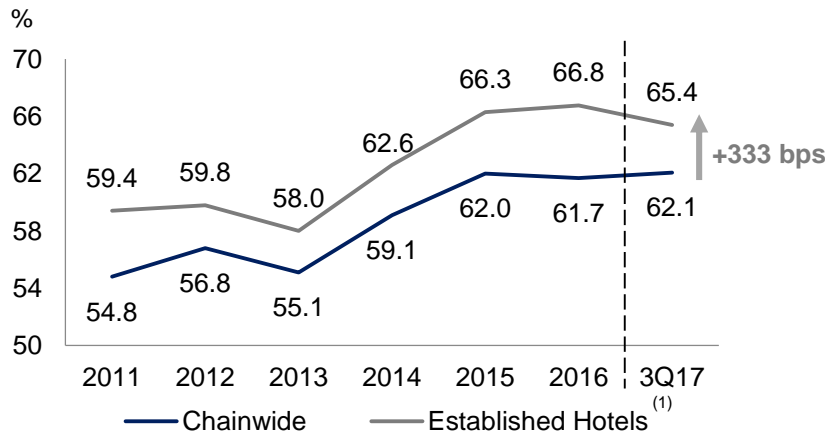


## ADR

MXN

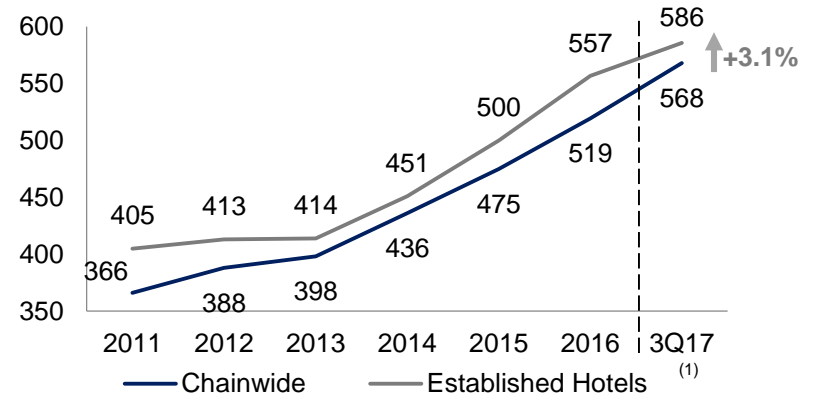


## Occupancy



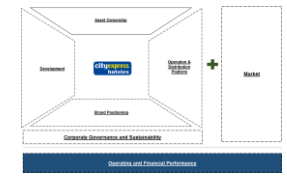
## RevPAR

MXN



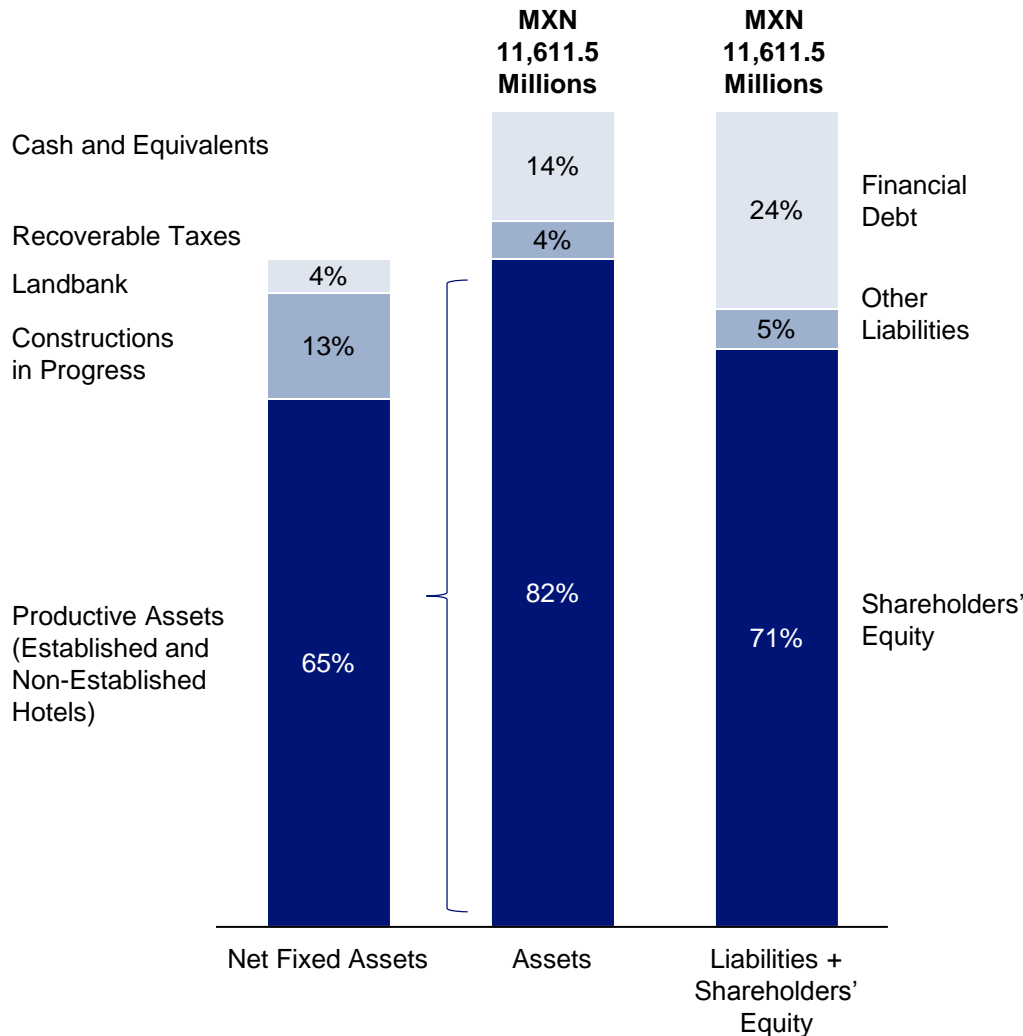
(1) Defined as the hotels with at least 36 months of operation

# Solid Capital Structure to Support Growth



## Balance Sheet Structure

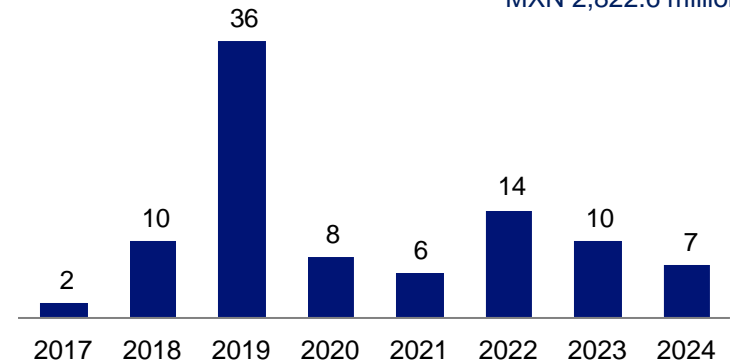
As of September 30, 2017



## Financial Debt Maturity Schedule

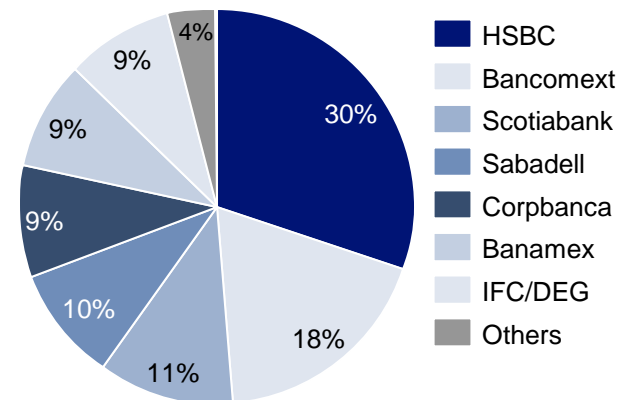
As of September 30, 2017, % of Debt Outstanding

**Total Debt Outstanding:**  
MXN 2,822.6 millions

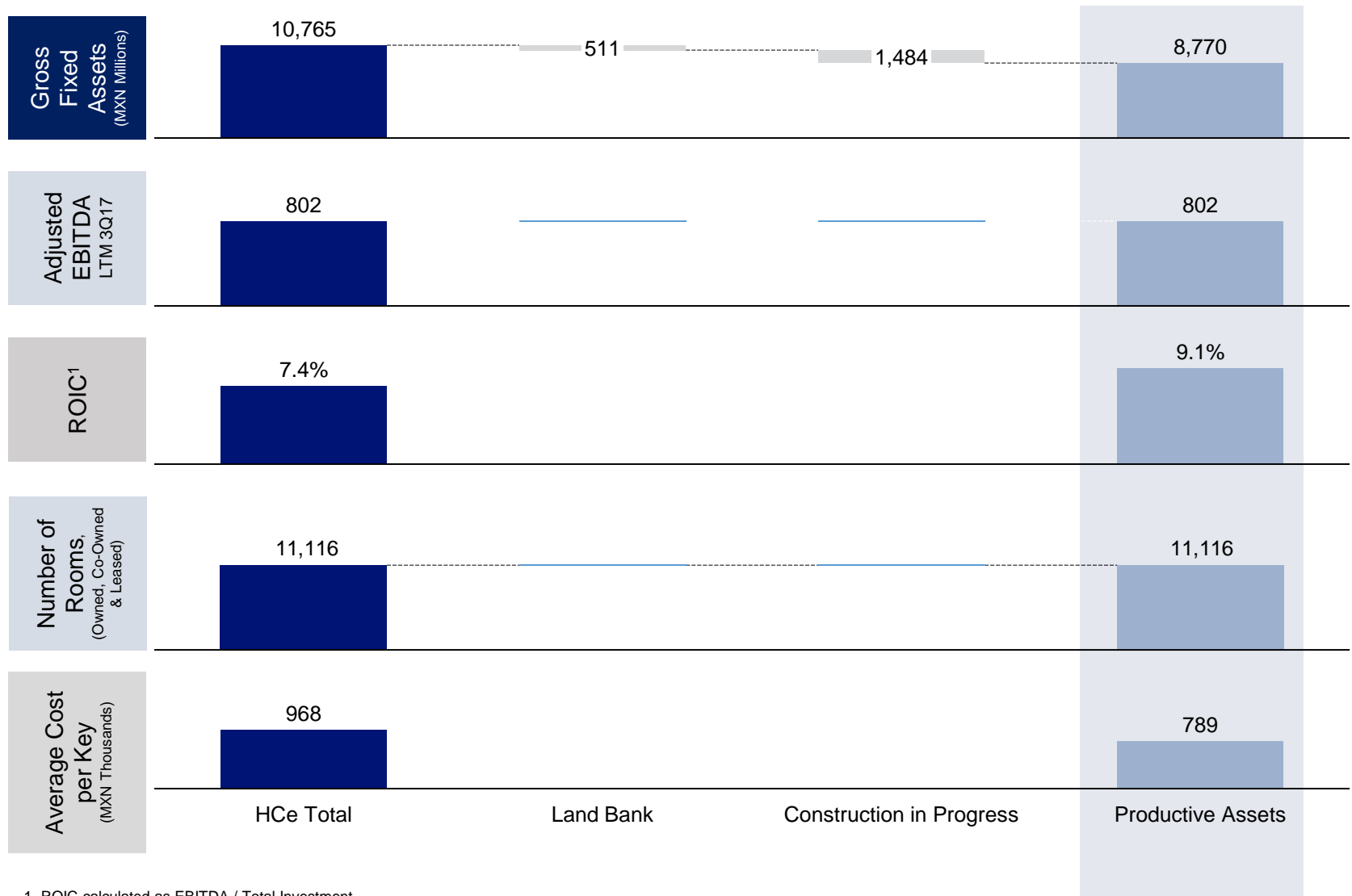


## Access to Diversified Financing Sources

Bank Debt by Counterparty as of September 30, 2017



# Significant Potential for High Returns Based on Pre-Productive Assets



1. ROIC calculated as EBITDA / Total Investment

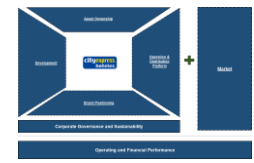




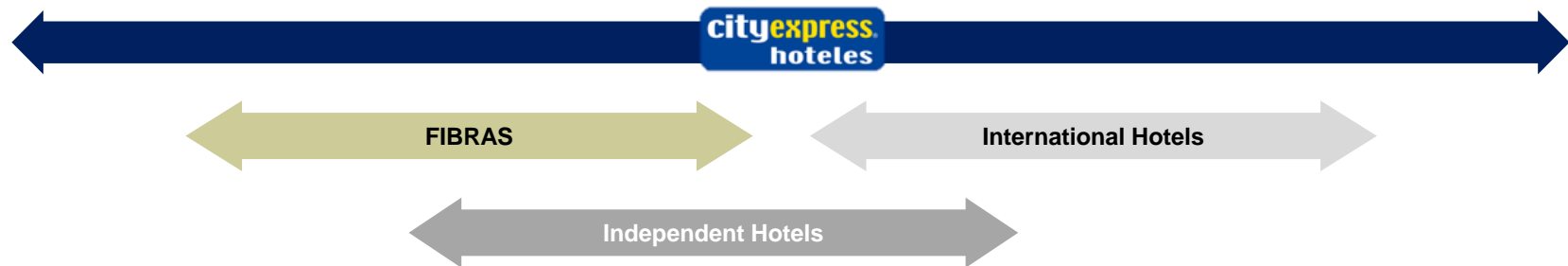
**cityexpress**  
hoteles

**To Sum Up  
Why Invest in Hoteles City Express?**

# Best Business Model Across Competitive Landscape



Hotel Development	Hotel Ownership	Marketing and Distribution Platform	Strong Brand Positioning
<ul style="list-style-type: none"> <li>• <b>22,000+ rooms developed by the Hoteles City Express team</b></li> <li>• Systematic and streamlined design and development                             <ul style="list-style-type: none"> <li>– Low, predictable costs</li> <li>– Benefit from scale in development</li> </ul> </li> <li>• Strong ROIC track record</li> <li>• Control over entry cap rates</li> </ul>	<ul style="list-style-type: none"> <li>• <b>54 owned hotels<sup>(1)</sup></b></li> <li>• <b>29 co-owned hotels<sup>(1)</sup></b></li> <li>• <b>14 leased hotels<sup>(1)</sup></b></li> <li>• Primary focus on ownership and co-ownership of hotels</li> <li>• Largest concentrated inventory of hotels in LatAm with significant appreciation potential that allows for strategic flexibility on long term business model</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Vast majority of reservation through own distribution channels.</b></li> <li>• <i>City Premios</i> guest loyalty program</li> <li>• Corporate and local agreements</li> <li>• Targeted and cost-efficient marketing</li> <li>• State-of-the-Art digital and technological platforms</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Strong brand positioning</b> levered by geographical presence, targeted advertising resources allocation and <b>best-in-class operating practices</b></li> <li>• Standardized room layouts, furnishings and processes</li> <li>• Brand licensing to third-party hotel owners under management contracts</li> </ul>



(1) As of June 2017; excludes managed and franchised hotels.

# Upside Valuation Potential Supported by Robust Performance on All Fronts



		Initial Public Offering (June 2013)	3rd Quarter 2017	
Hotel Platform	Hotels / Rooms in Operation	72 / 8,201	130 / 14,606	78.1%
	Development Pipeline (Projects in Process)	13	35	169.2%
Operating Metrics <sup>1</sup>	Occupancy	55.1%	62.1%	697 bps
	Average Daily Rate (ADR)	\$722	\$915	26.7%
	Revenue per Available Room (RevPAR)	\$398	\$568	42.7%
Financial Performance <sup>1</sup>	Total Revenues	\$968 MM	\$2,374 MM	145.2%
	Adjusted EBITDA / Margin	\$311 MM / 30.5%	\$802 MM / 33.8%	157.9%

(1) Operating metrics and financial performance calculated considering figures as of 3Q17



# Disclaimer

This presentation has been prepared with information about Hoteles City Express, S.A.B. de C.V. ("HCITY" or the "Company"). The presentation is not intended to be exhaustive and does not necessarily include all the information the receiver should want to be informed of the Company. The forward-looking statements contained in this presentation are based on the current assumptions and outlook of the Company's management. Actual results, performance and events may differ significantly from those expressed or implied in these forward-looking statements as a result of several factors such as the general and economic conditions in Mexico and abroad, interest and exchange rates, future renegotiations, pre-payments of liabilities or loans denominated in foreign currency, changes in laws and regulations, and general competitive factors (regionally, nationally or internationally).

All communications, inquiries and requests for information related to these materials should be directed to the contacts listed below.



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